

Fiscal Year Trade Forecasts for Ag, Fishery & Solid Wood Products

Changes in FY 2008 Forecast Since August

AgExports rise \$7.5 billion to record \$91.0 billion
AgImports rise \$500 million to record \$75.5 billion
AgSurplus rises to \$15.5 billion

*Includes summaries on all ag groups except tobacco, planting seeds, and sugar & tropical products. Forecasts for fishery and solid wood products are unofficial.

USDA's "Outlook for U.S. Agricultural Trade"
Released on November 30, 2007, 4pm EST

Slides prepared by OGA/FAS

U.S. Agricultural Trade

All major commodity groups reach record export sales in 2008.
Bulk commodity unit values generally higher & export volumes rise for nearly every group except oilseeds. Import growth continues faster pace.

Trade Value (\$Billion)



Revisions Since August Boost in FY'08

AgExports \$7.5 Billion to Record \$91 Billion

Grains & Feed  \$3.2 billion to \$27.5 billion **record**

- ❑ coarse grain vol (+) 8 mmt to 68 mmt – ample US supply and (+) EU demand
- ❑ (+) wheat volume & unit value – tighter world supply due to less exportable supply from Australia, Europe, Ukraine & Canada

Oilseeds & Products  \$2.6 billion to \$16.3 billion **record**

- ❑ (+) soybean and product unit value – demand from China/EU & tighter supply
- ❑ soybean volume (-) 1.3 mmt to 26.5 mmt – smaller stocks & increased dom. crush

Cotton  \$300 million to \$5.8 billion **record**

- ❑ (+) unit value – higher grade cotton and more late-season shipments

Livestock/Poultry/Dairy Products  \$1.5 bil to \$17.1 billion **record**

- ❑ dairy products (+) \$250 million to **record** \$2.6 billion on (+) volume & world prices
- ❑ broiler meat (+) \$200 million to \$2.4 billion on (+) unit value & China demand
- ❑ beef (+) \$140 mil to \$2.4 bil on (+) unit value; vol steady at 545,000 mt
- ❑ pork (+) \$180 mil to **record** \$2.7 bil on (+) vol due to (+) supply & competitive price

Export Outlook for Grain & Feed Products

Chg in FY 2008 Forecast Since Aug:  \$3.2 Billion to \$27.5 Billion

Revised 2008 Forecast

Upside Developments

- Coarse Grains +\$1.4 bil due to 8 mmt volume increase – ample supplies and (+) EU demand
- Wheat +\$1.5 bil due to 1.5 mmt volume increase & higher unit value – less exportable supply from EU, Aust., Canada & Ukraine
- Strong import demand & tight global stocks keep prices elevated for all grains

Downside Developments

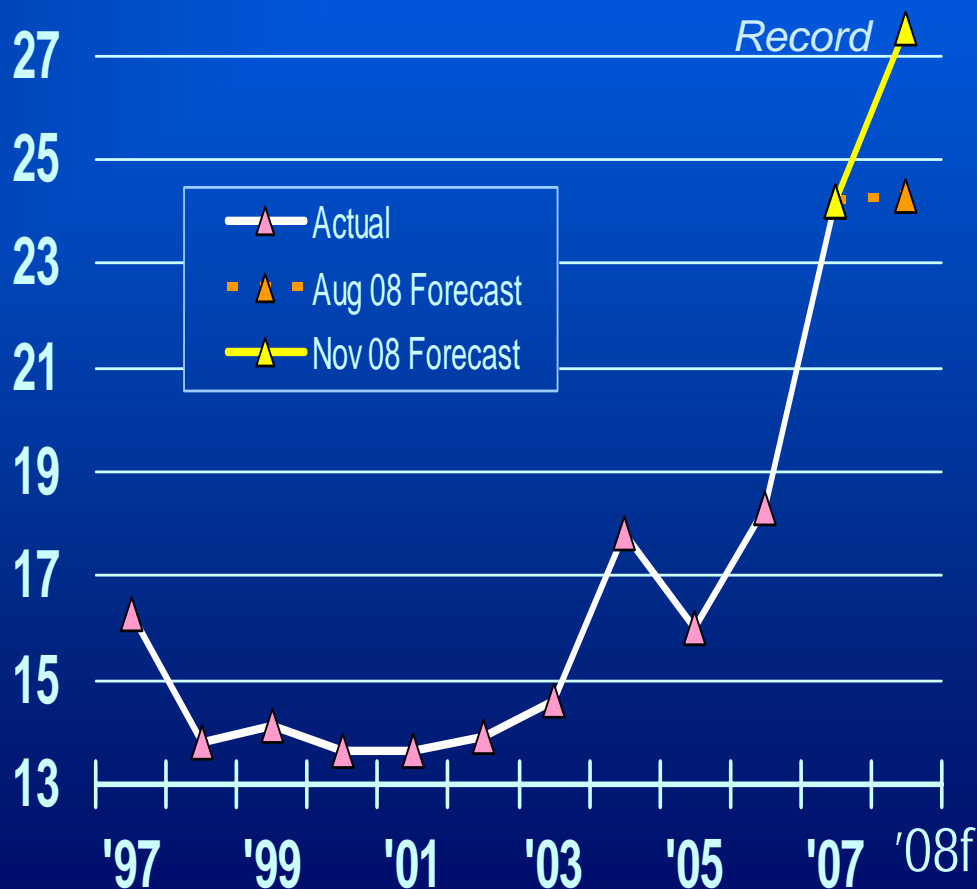
- Tightening domestic stocks limit wheat export volume expansion

Wild Cards

- High prices could soften corn & wheat import demand
- Size of SHemisphere crops

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Chg in FY 2008 Forecast Since Aug:  \$2.6 Billion to \$16.3 Billion

Revised 2008 Forecast

Upside Developments

- Soybeans & prods +\$2.3 bil due to higher unit value (lower vol)
- Strong global demand and tighter markets raise prices for soybeans and products
 - China's import demand for soybeans & vegoils at record high
 - Strong world biodiesel demand (driven by the EU) and high petroleum prices

Downside Developments

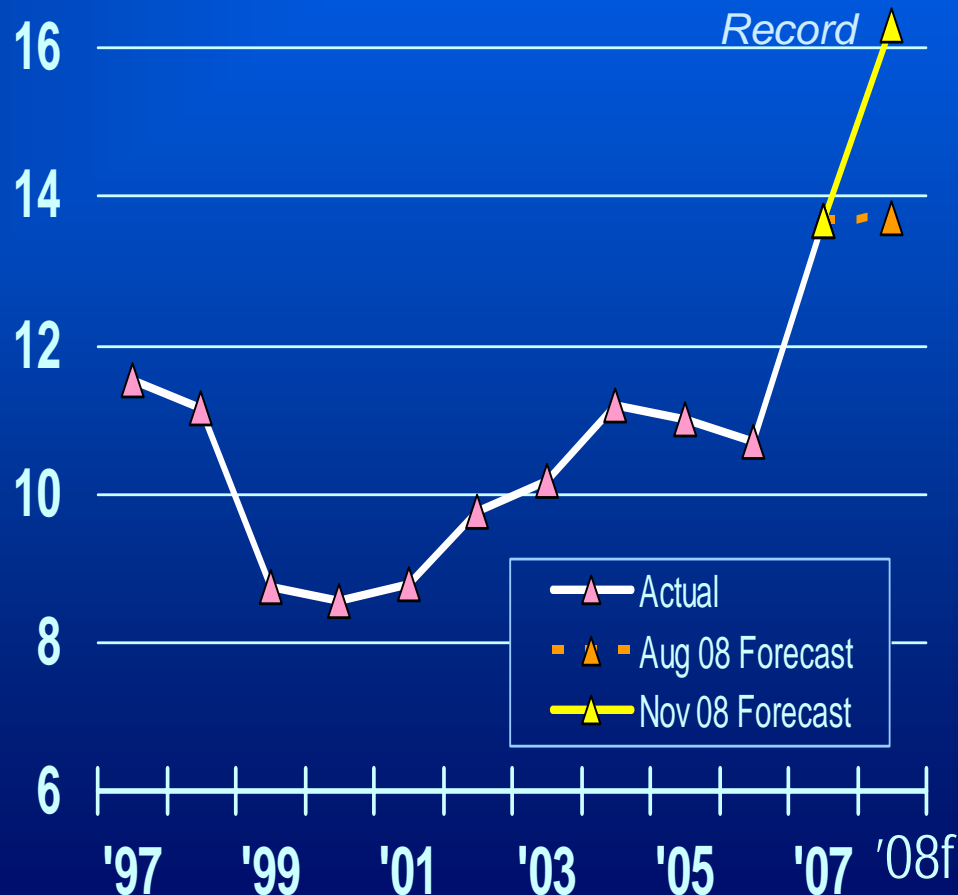
- Soybean vol (-)1.3 mmt – smaller carry-over & (+) domestic crush lower exportable supply

Wild Cards

- S American crop size

Export Value (\$Bil)

Excludes corn gluten feed/meal



Export Outlook for Cotton

Chg in FY 2008 Forecast Since Aug:  \$300 Million to \$5.8 Billion

Revised 2008 Forecast

Upside Developments

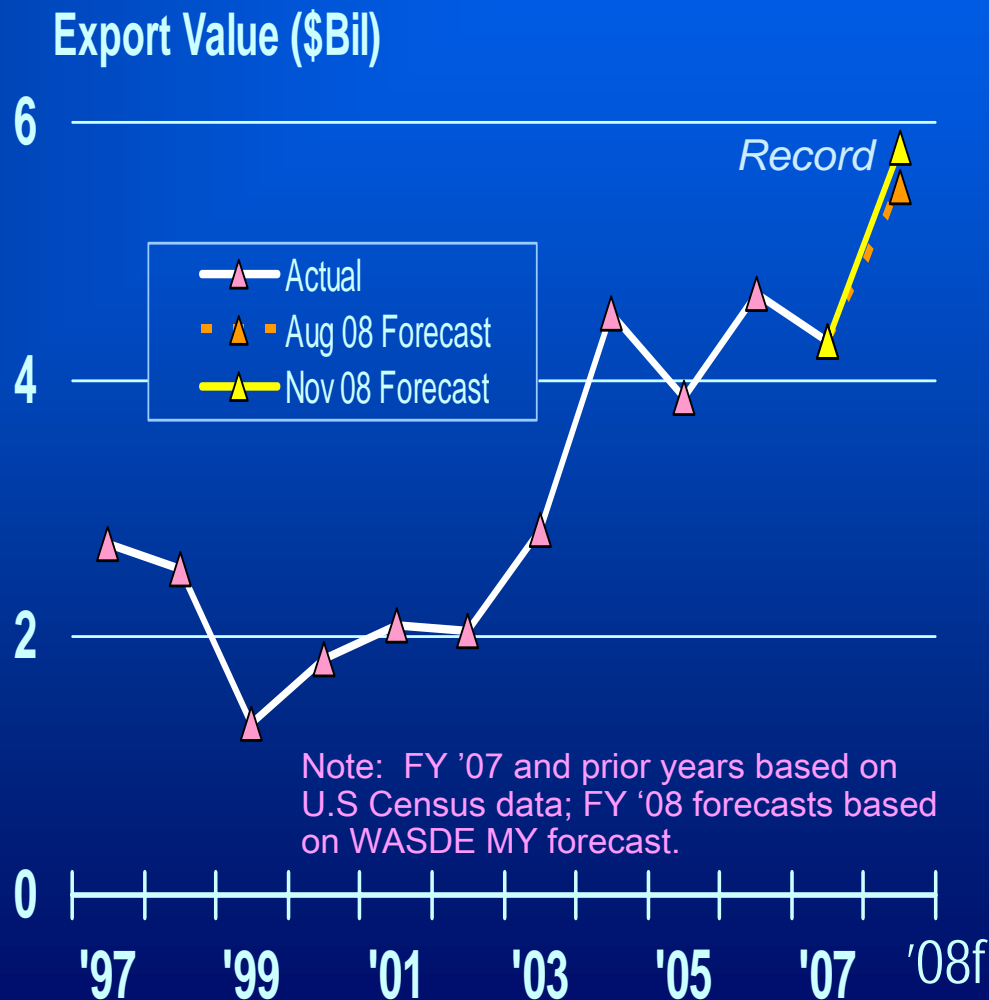
- Higher average unit value – shipments shift to later in the season
- Export volume is unchanged at 3.6 mmt – record exportable surplus

Downside Developments

- Continued competition from India

Wild Cards

- Uncertainty over production estimates for China & Pakistan



Export Outlook for Dairy, Livestock & Poultry

Chg in FY 2008 Forecast Since Aug:  \$1.5 Billion to \$17.1 Billion

Revised 2008 Forecast

Upside Developments

- Dairy (+)\$250 million to record \$2.6 bil on strong global prices & (+) vol for NDM, whey, cheese & lactose to Asia & NAmerica
- Broiler meat (+) \$200 million to \$2.4 bil mostly on higher unit val; very price competitive product
- Pork (+) \$180 million to record \$2.7 bil – vol rises due to weak \$, record hog slaughter, lower prices
- Beef (+) \$140 mil to \$2.4 billion on (+) unit value; volume holds at 545,000 mt

Wild Cards

- Asia BSE bans on beef trade
- Ractopamine ban on US pork plants eligible to export to China



Export Outlook for Horticultural Products

No Chg in FY 2008 Forecast Since Aug: Remains at \$18.6 Billion

FY 2008 Forecast

Upside Developments

- FY 2008 hort. exports rise \$700 million above 2007 on continued sales gains to Canada (the top mkt), Japan, and Mexico

Downside Developments

- Growth rate for entire hort. category slows in 2007 & 2008 mainly due to almond sales
- Almond export vol continues up but at slower pace; lower value in 2007 for the first time in 6 yrs due to record crop and large supplies

Wild Card

- Impact of aflatoxin sampling program on almond exports to EU



AgImports

Continue Four Decades of Expansion

Demand & supply factors at work in a relatively open market

- ❑ Demand: consumer preferences (variety, luxury, ethnic foods); population growth; high disposable incomes
- ❑ Supply: capital flows build foreign capacity; technology transfer; supply chains become global; possibly lower production costs

FY 2008 import values for products driving most long-term growth

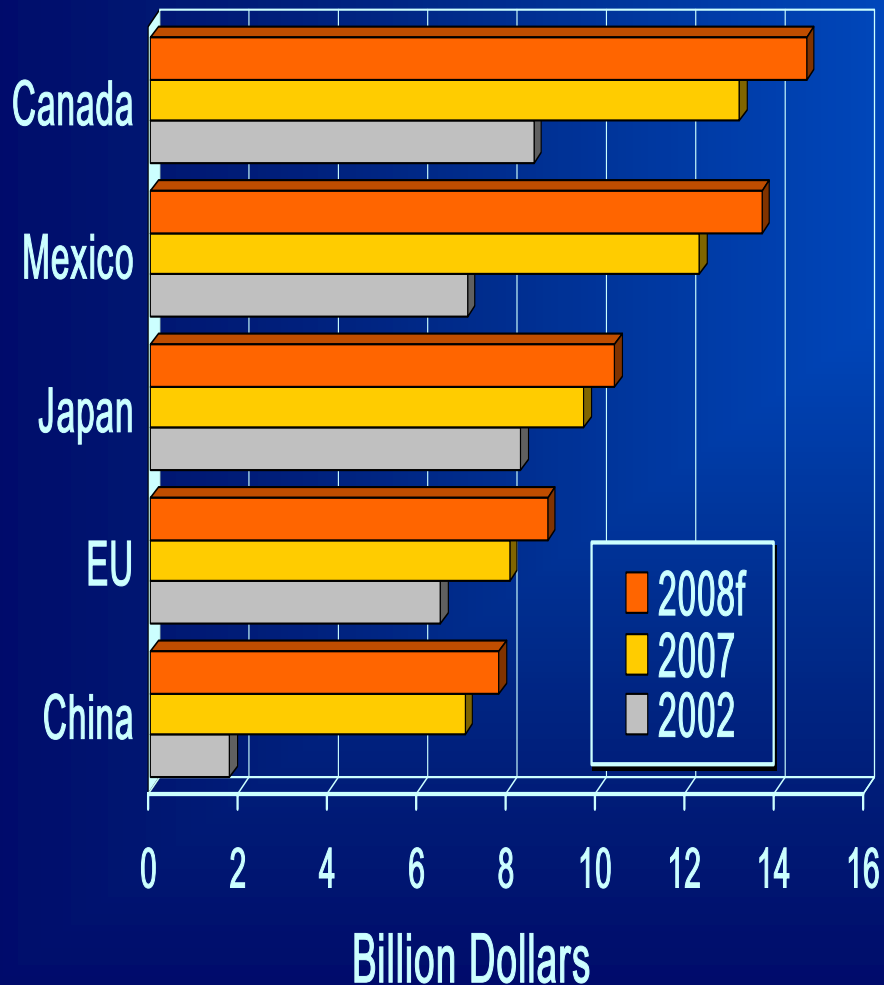
- ❑ horticultural products \$35.2 billion (fruit & vegs \$17.8 bil, wine & beer \$8.8 bil)
- ❑ snack foods \$5.2 bil, beef & pork \$4.8 bil, vegoils \$3.5 bil, dairy products \$2.7 bil

Key observations for FY 2008 – imports rise \$5.5 bil to \$75.5 bil

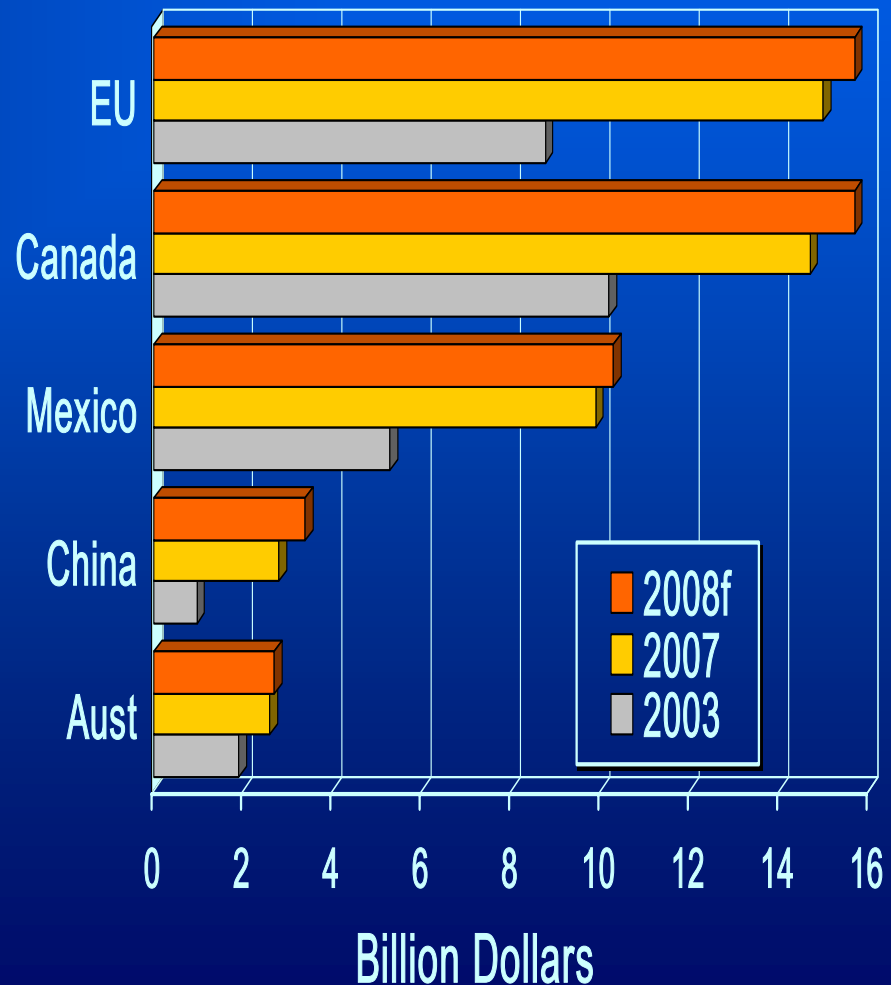
- ❑ import volume growth slows slightly with weaker dollar & slower economy, but higher prices keep value growing near the faster pace seen in the past 5 years
- ❑ higher prices for grains, oilseeds & their products add \$1.4 billion to the import bill – this compares to only \$300-million additional sales in 2005
- ❑ tropical product imports continues to grow above trend due to rising prices for natural rubber and rising purchases of coffee, cocoa, and confectioneries

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...



Export Outlook for Fishery Products

No Chg in FY 2008 Forecast Since Aug: Remains at \$4.1 Billion

FY 2008 Forecast

Upside Developments

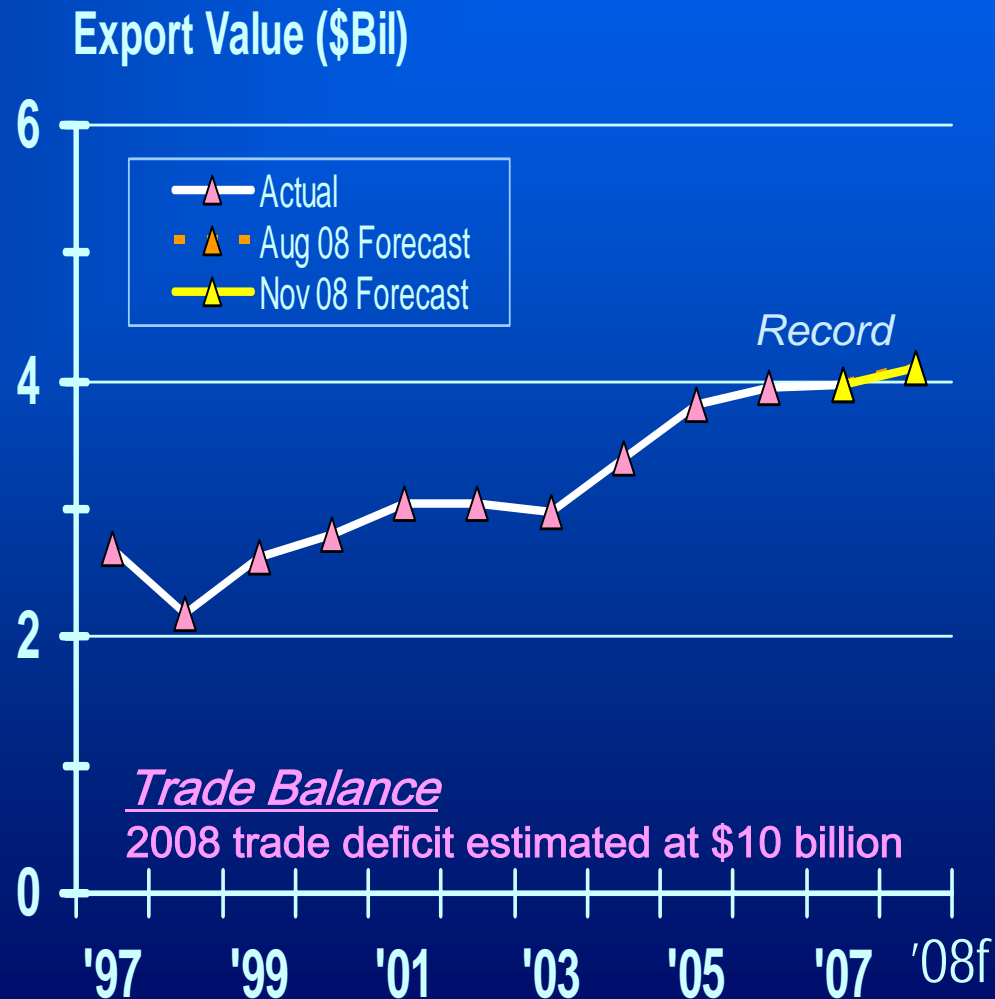
- The \$1-bil EU market and \$500-mil China market continue to grow
- King and snow crab export volume & value rise with as total allowable catch increases
- Mackerel and squid harvest and exports are expected to rebound

Downside Developments

- The 2008 total allowable catch recommendation for pollock is down from 2007

Wild Cards

- Size of U.S. harvests of lobster, salmon, pollock and other species



Export Outlook for Solid Wood Products

No Chg in FY 2008 Forecast Since Aug: Remains at \$6.6 Billion

FY 2008 Forecast

Upside Developments

- US hardwood sales up due to strong demand from Europe, particularly for yellow poplar & white oak
- Exports to China continue growth due to demand from furniture industry

Downside Developments

- US housing market slump continues – reduces Canadian demand for US lumber which is re-exported as semi-finished products for the US housing industry
- Decreasing housing starts in Japan cause wood import demand to fall

